

Recommendation

DL/FFELP/Perkins will use the same commercial authentication service (NCS) and pay the same per transaction fee.

Supporting reasons for this decision:

1) **financially**, it is

- a) cost neutral between the other option. The FY01 costs to SFA is \$62.5K vs. \$85K.
- b) cost beneficial to SFA. It saves SFA \$1.5M in FY01 Modernization money (approved IRB funding)
- c) cost beneficial to SFA. The \$62.5K cost is Operations, not Modernization money.

2) **politically**, it is better because

- a) all lenders (FFEL, DL, Perkins schools) pay the same per transaction cost and use the same infrastructure (aka. *parity*)
- b) this shows the industry that the government is using its participation to provide lower costs for the entire industry
- c) SFA is willing to assume the same business risk as FFEL

3) **technically**, it is simpler as all eNote authentications follow the same path

4) **practically**, it is something that

- a) you don't have to pay for something until you use it (costs are per transaction based)
- b) can be done by 6/30/01



Item	Full Participation (DL/FFEL/Perkins)	Partial Participation (FFEL/Perkins)	Delta
<i>Description</i>	All three program go through authentication service(NCS)	FFEL/Perkins goes through authentication service (NCS) DL goes through existing path (SFA)	
<i>Volume Assumptions</i> <i>DL</i> <i>FFEL</i>	250,000 eNotes 1,000,000 eNotes	250,000 eNotes 1,000,000 eNotes	
<i>SFA Costs</i>	<ul style="list-style-type: none"> • \$.25 x 250,000 (DL) = \$62.5K (Ops) • initial setup fee \$5K (Development) 	<ul style="list-style-type: none"> • \$0 (Ops) • \$85K (Development) 	<ul style="list-style-type: none"> - \$62.5 (Ops) + \$80K (Dev)
<i>FFEL Costs</i>		** Possibly higher than a \$.25 transaction cost if DL does not participate	

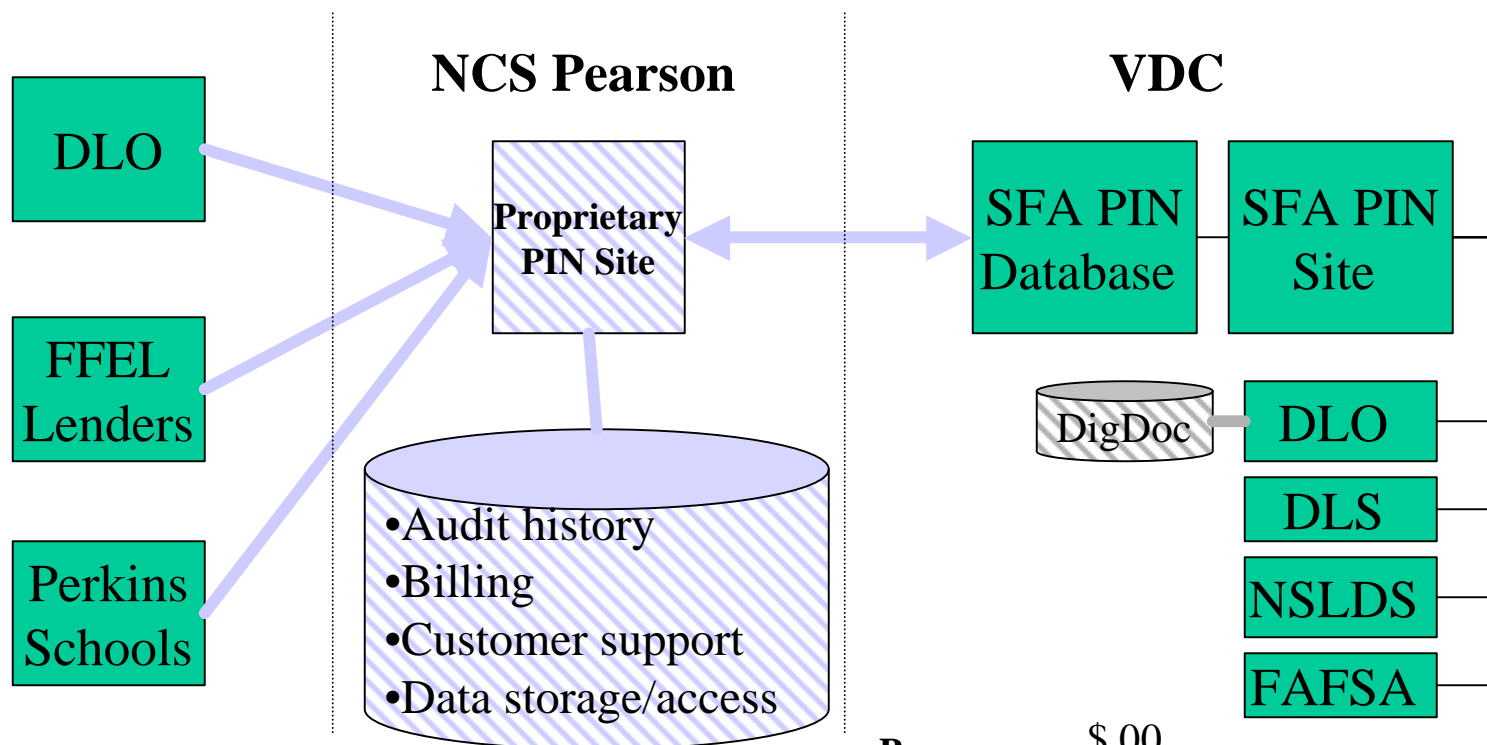


Issues to Consider

- eNote volumes are best guesses and should be considered as such.
- \$.25 transaction fee should be fixed across all participants.
- There can be an initial setup fee for each lender, but not to exceed \$5K.
- Set a ceiling limit for total charges imposed on SFA.
- Term should not exceed 1 program year for SFA.
- Standard reports and dynamic queries needed.
- PIN will not be known outside of NCS authentication service



eSign eNote PIN Authentication Services Vision



Objectives:

- Enable SFA PIN use for *eNote* transactions \$.25/transaction for all
- Provide a level playing field between participants
- Outsource FFEL and DL authentication development costs
- Supports flexible processes from all lenders in the solution
- Become functional by 6/30/01

Pros:

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- Parity between DL and FFEL
- Less than the \$1.5M business case costs

Cons:

- Per transaction costs for DL look-ups
- SFA pays for something they already do
- Data is outside the VDC



Next Steps...

